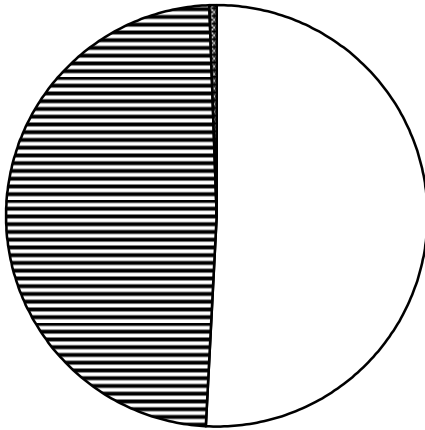


CIVIC CENTER CAPITAL PROGRAM

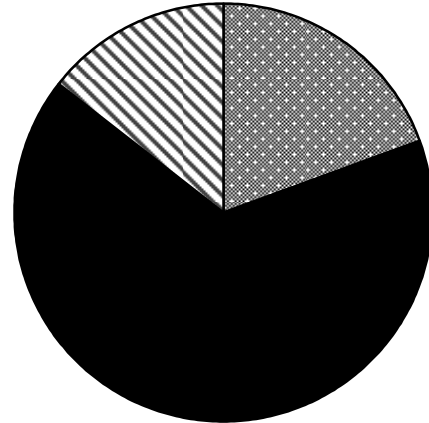
2008-2012 Capital Improvement Program

2007-2008 Adopted
Source of Funds



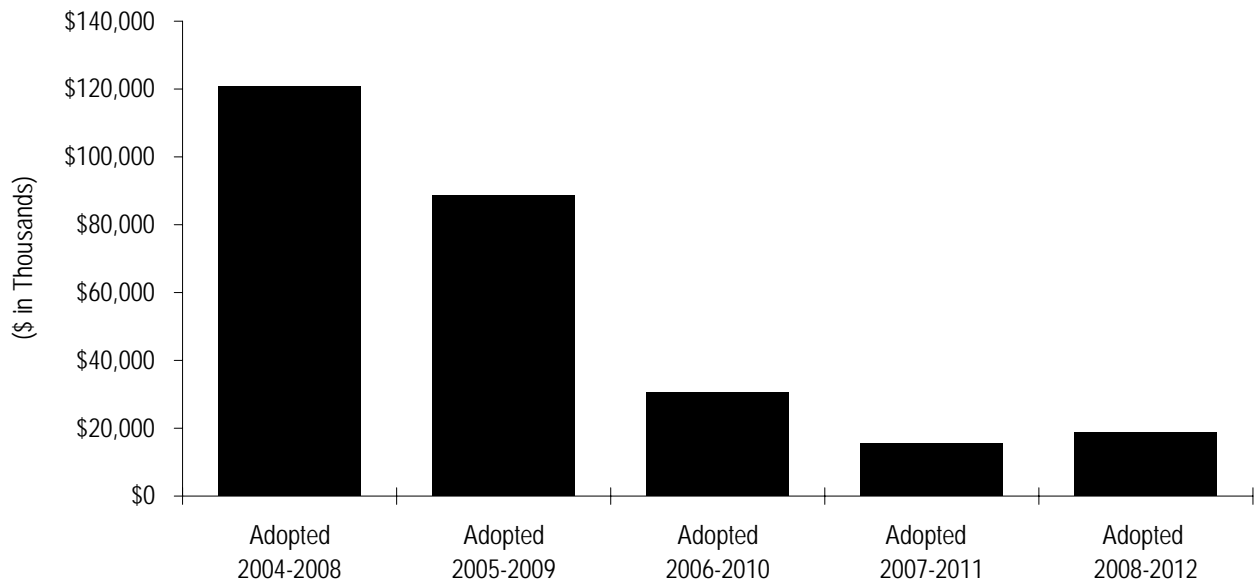
□ Beginning Fund Balance
▨ Commercial Paper
▩ Interest

2007-2008 Adopted
Use of Funds



▩ Construction
■ Non Construction
▨ Reserves

CIP History



Civic Center Capital Program

2008-2012 Adopted Capital Improvement Program

Overview

Introduction

The Civic Center Capital Program is responsible for the new City Hall and associated parking facilities construction. City Hall includes approximately 530,000 square feet of office and public space and is located on a 4.9-acre site on the south side of East Santa Clara Street, between 4th and 6th Streets. Major components include an 18-story office tower, a council chamber wing, an open public plaza with a rotunda, plus a 372-vehicle underground parking garage to serve the visiting public and some staff. The facility is able to accommodate up to 1,950 City staff. The project also includes an off-site 1,128-vehicle employee-parking garage located north of Santa Clara Street, between 4th and 5th Streets.

The 2007-2008 Adopted Budget and 2008-2012 Capital Improvement Program (CIP) for this capital program total \$18.7 million and reflect remaining technology, furniture, and equipment and other City Hall improvements continuing into 2007-2008, allocations approved in 2006-2007 for the cleanup and restoration of Watson Park, and reserves for potential litigation and closeout costs for City Hall. This program is part of the Strategic Support City Service Area (CSA) and supports the following outcomes: *Safe and Functional Public Infrastructure, Facilities, and Equipment; Effective Use of State-of-the-Art Technology; and Sound Fiscal Management that Facilitates Meeting the Needs of the Community.*

Program Priorities and Objectives

The new City Hall is a landmark building for our community. This facility provides a better work environment that:

- Improves the quality of public service by bringing City operations together;
- Enhances the efficiency and effectiveness of City operations; and
- Supports long-term community development goals.

One of the major goals of this capital program had been to deliver the new City Hall project in a timely and cost effective manner. This goal was achieved.

Sources of Funding

The new City Hall and associated parking facilities are funded through lease revenue bond proceeds and commercial paper proceeds. The General Fund and other special and capital funds that support the staff that are located at this new facility are responsible for the debt service payments.

Program Highlights

In terms of the City Hall project timeline, groundbreaking and initial construction began in August 2002. Structural steel topping off occurred in January 2004. Enclosure of the tower and wing occurred in January 2005. The project and occupancy was successfully completed in mid-2005.

The construction contract for the off-site employee parking garage was awarded in February 2005. This project was delayed as a result of the Preservation Action Council of San José (PAC-SJ) lawsuit, unforeseen soil conditions, and an unseasonably high rainfall in spring of 2005. The garage opened for occupancy in November 2006. Currently, all employees are now able to park in the garage with completion of minor items still in progress.

Civic Center Capital Program

2008-2012 Adopted Capital Improvement Program

Overview

Program Highlights (Cont'd.)

The estimated final project cost for City Hall and the off-site employee parking garage is \$348.1 million, which is consistent with the budget approved in the 2006-2007 Adopted Budget. The chart below provides a breakdown of the project construction costs.

In addition to the construction budget, \$45.25 million was initially allocated for technology, furniture, and equipment to operate the facility in the most effective manner. In May 2006, the City Council approved a 15% reduction to these costs, saving \$6.8 million. In addition, the City Council approved the allocation of interest earnings (\$7.2 million) and construction savings (\$1.5 million) toward neighborhood capital improvements, a reduction in future debt service related to City Hall, and a portion to other capital improvements such as access and safety issues and fiber connections to public safety facilities.

Since the recommendations that the City Council approved in May 2006, however, additional interest (\$700,000) in the Civic Center funds have been realized or are anticipated as remaining project funds are expended. In addition, the over issuance of commercial paper proceeds to reimburse Civic Center Off-Site Parking Garage costs has resulted in \$2.0 million of bond proceeds not currently required for this project. The allocation of the remaining interest earnings and extra bond proceeds in reserves were approved in order to fund potential litigation or change order issues that may arise from the final close-out of outstanding contracts. In the event that this funding is not required for outstanding project costs, this funding would be transferred back to the City Hall Debt Service Fund and used to reduce future debt service payments related to the Civic Center project.

Projected Civic Center Construction Costs

	Actuals thru 2005-2006	2006-2007 Estimates	2007-2008 Adopted	Total
New City Hall - Construction	\$ 268,689,000	\$ 597,000	\$	\$ 269,286,000
New City Hall - Land Acquisition	41,900,000			41,900,000
City Hall Parking - Construction	21,835,000	4,237,000	80,000	26,152,000
City Hall Parking - Land Acquisition	10,470,000		310,000	10,780,000
Total Construction Costs	\$ 342,894,000	\$ 4,834,000	\$ 390,000	\$ 348,118,000

Major Changes from the 2007-2011 Adopted CIP

Major changes from the 2007-2011 Adopted CIP include the following:

- Establish a Reserve for Civic Center (\$608,000) to fund potential claims on outstanding contracts.
- Continuation of Technology, Furniture, and Equipment (\$12.3 million) and City Hall Capital Enhancements (\$777,000) funding into 2007-2008.

Civic Center Capital Program

2008-2012 Adopted Capital Improvement Program

Overview

Major Changes from the 2007-2011 Adopted CIP (Cont'd.)

- Establish a Reserve for Civic Center Off-Site Parking Garage (\$2.1 million) to fund potential claims on outstanding contracts.
- Reallocation of Reserve for Neighborhood Capital Improvements (\$4.3 million) funding from Civic Center funds to the General Fund and clean-up and restoration costs for Watson Park (\$4.3 million) from the General Fund to Civic Center funds. This action allows for the allocation of remaining tax-exempt bond proceeds, to be consistent with IRS regulations that the funds be spent or appropriated toward eligible uses by the end of 2006-2007.

Operating Budget Impact

Starting in 2005-2006, the City Hall debt service and operating and maintenance costs as well as the debt service on the Furniture, Fixtures and Equipment are paid by the General Fund, special, and capital funds. The debt service and operating and maintenance costs for the off-site garage have been factored into the 2007-2008 Adopted Operating Budget.

The new City Hall facility is designed to serve the public, house many City operations, and serve as the City's corporate headquarters. Cost allocation formulas divide the debt service and operating costs to reflect these purposes.

Council-Approved Revisions to the Proposed Capital Improvement Program

During the June budget hearings, the City Council approved the rebudgeting of \$5.4 million to complete remaining technology, furniture, and equipment and other City Hall improvements continuing into 2007-2008.

The City Council also approved the reallocation of Reserve for Neighborhood Capital Improvements (\$4.3 million) funding from Civic Center funds to the General Fund and clean-up and restoration costs for Watson Park (\$4.3 million) from the General Fund to Civic Center funds. This action allows for the allocation of remaining tax-exempt bond proceeds, to be consistent with IRS regulations that the funds be spent or appropriated toward eligible uses by the end of 2006-2007.

Civic Center Capital Program
2008-2012 Adopted Capital Improvement Program
Source of Funds

SOURCE OF FUNDS	Estimated 2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	5-Year Total
<u>Civic Center Construction Fund</u>							
Beginning Fund Balance	6,783,798	3,768,265					3,768,265 *
Interest Income	500,000	100,000					100,000
Reserve for Encumbrances	238,165						
Total Civic Center Construction Fund	7,521,963	3,868,265					3,868,265 *
<u>Civic Center Parking Fund</u>							
Beginning Fund Balance	3,621,702	2,471,614					2,471,614 *
Sale of Bonds							
– Commercial Paper Proceeds	2,063,501						
Interest Income	42,000						
Reserve for Encumbrances	3,224,873						
Total Civic Center Parking Fund	8,952,076	2,471,614					2,471,614 *
<u>Civic Center Improvement Fund</u>							
Beginning Fund Balance	724,088	3,229,000					3,229,000 *
Sale of Bonds							
– Commercial Paper Proceeds	2,547,851	9,100,000					9,100,000
Interest Income	100,000						
Reserve for Encumbrances	1,029,944						
Total Civic Center Improvement Fund	4,401,883	12,329,000					12,329,000 *

* The 2008-2009 through 2011-2012 Beginning Balances are excluded from the FIVE-YEAR TOTAL SOURCE OF FUNDS to avoid multiple counting of the same funds.

Civic Center Capital Program
2008-2012 Adopted Capital Improvement Program
Source of Funds

<u>SOURCE OF FUNDS</u> (CONT'D.)	<u>Estimated 2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>5-Year Total</u>
TOTAL SOURCE OF FUNDS	<u>20,875,922</u>	<u>18,668,879</u>					<u>18,668,879 *</u>

* The 2008-2009 through 2011-2012 Beginning Balances are excluded from the FIVE-YEAR TOTAL SOURCE OF FUNDS to avoid multiple counting of the same funds.

Civic Center Capital Program
 2008-2012 Adopted Capital Improvement Program
 Use of Funds

USE OF FUNDS	Estimated 2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	5-Year Total
<u>Construction Projects</u>							
Construction	521,000						
Design and Construction Management	40,000						
Land Acquisition		310,000					310,000
New City Hall Parking Garage	4,237,000	80,000					80,000
Public Art	36,000						
1. City Hall Capital Enhancements	1,393,501	777,000					777,000
2. Watson Park Site Clean-up and Restoration	1,858,659	2,483,000					2,483,000
Total Construction Projects	8,086,160	3,650,000					3,650,000
<u>Non-Construction</u>							
General Non-Construction							
3. Technology, Furniture, and Equipment	1,172,883	12,329,000					12,329,000
Total General Non-Construction	1,172,883	12,329,000					12,329,000
Contributions, Loans and Transfers to General Fund							
Transfer to the General Fund to Reimburse Project Costs	308,000						
Total Contributions, Loans and Transfers to General Fund	308,000						
Contributions, Loans and Transfers to Special Funds							
Construction and Conveyance Tax Fund: Service Yards Purpose	1,250,000						
Total Contributions, Loans and Transfers to Special Funds	1,250,000						

Civic Center Capital Program
 2008-2012 Adopted Capital Improvement Program
 Use of Funds

USE OF FUNDS (CONT'D.)	Estimated 2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	5-Year Total
<u>Non-Construction</u>							
Contributions, Loans and Transfers to Other Agencies							
Transfer to Redeem Commercial Paper	590,000						
Total Contributions, Loans and Transfers to Other Agencies	590,000						
Reserves							
4. Reserve for Civic Center		608,265					608,265
5. Reserve for Civic Center Off-Site Parking Garage		2,081,614					2,081,614
Total Reserves		2,689,879					2,689,879
Total Non-Construction	3,320,883	15,018,879					15,018,879
Ending Fund Balance	9,468,879						*
TOTAL USE OF FUNDS	20,875,922	18,668,879					18,668,879*

* The 2007-2008 through 2010-2011 Ending Balances are excluded from the FIVE-YEAR TOTAL USE OF FUNDS to avoid multiple counting of same funds.

Civic Center Capital Program
2008-2012 Adopted Capital Improvement Program
 2007-2008 Use of Funds by Funding Source

	(425) Civic Center Construction Fund	(433) Civic Center Parking Fund	(473) Civic Center Improvement Fund	Total
TOTAL RESOURCES	3,868,265	2,471,614	12,329,000	18,668,879
<u>Construction Projects</u>				
Land Acquisition		310,000		310,000
New City Hall Parking Garage		80,000		80,000
1. City Hall Capital Enhancements	777,000			777,000
2. Watson Park Site Clean-up and Restoration	2,483,000			2,483,000
	3,260,000	390,000		3,650,000
Total Construction Projects	3,260,000	390,000		3,650,000
<u>Non-Construction</u>				
3. Technology, Furniture, and Equipment			12,329,000	12,329,000
			12,329,000	12,329,000
Reserves				
4. Reserve for Civic Center	608,265			608,265
5. Reserve for Civic Center Off-Site Parking Garage		2,081,614		2,081,614
Total Reserves	608,265	2,081,614		2,689,879
Total Non-Construction	608,265	2,081,614	12,329,000	15,018,879
Ending Fund Balance				
TOTAL USE OF FUNDS	3,868,265	2,471,614	12,329,000	18,668,879

Civic Center Capital Program

2008-2012 Adopted Capital Improvement Program

Detail of Capital Projects

1. City Hall Capital Enhancements

CSA: Strategic Support **Initial Start Date:** 3rd Qtr. 2006
CSA Outcome: Safe and Functional Public Infrastructure, Facilities, **Revised Start Date:**
 and Equipment **Initial Completion Date:** 4th Qtr. 2007
Department: General Services **Revised Completion Date:**
Council District: 3
Location: 200 E. Santa Clara Street

Description: This project allocates interest earnings from the Civic Center bonds to fund City Hall enhancements, such as access and safety improvements, cable/fiber connections to public safety facilities, improved signage, and completion of infrastructure and office spaces. This allocation was approved by the City Council in May 2006.

Justification: Interest earnings from the Civic Center bonds that were not necessary to fund the Civic Center construction project are now available to fund other capital projects.

EXPENDITURE SCHEDULE (000'S)											
Cost Elements	Prior Years	2006-07 Appn.	2006-07 Estimate	2007-08	2008-09	2009-10	2010-11	2011-12	5-Year Total	Beyond 5-Year	Project Total
Construction		2,171	1,394	777					777		2,171
TOTAL		2,171	1,394	777					777		2,171
FUNDING SOURCE SCHEDULE (000'S)											
Civic Center Construction Fund		2,171	1,394	777					777		2,171
TOTAL		2,171	1,394	777					777		2,171
ANNUAL OPERATING BUDGET IMPACT (000'S)											

None

Major Changes in Project Cost:

None

Notes:

FY Initiated:	2005-2006	Redevelopment Area:	N/A
Initial Project Budget:	\$2,170,829	SNI Area:	University
Appn. #:	4041	USGBC LEED:	N/A

Civic Center Capital Program

2008-2012 Adopted Capital Improvement Program

Detail of Capital Projects

2. Watson Park Site Clean-up and Restoration

CSA: Strategic Support **Initial Start Date:** 3rd Qtr. 2005

CSA Outcome: Safe and Functional Public Infrastructure, Facilities, and Equipment **Revised Start Date:**

Department: Parks, Recreation and Neighborhood Services **Initial Completion Date:** 2nd Qtr. 2007

Council District: 3 **Revised Completion Date:** 4th Qtr. 2009

Location: East Jackson Street and 22nd Street

Description: This project provides funding for the clean-up and restoration of Watson Park due to contaminants, including lead and arsenic, that were found in the soil during the excavation for the proposed Watson Skate Park.

Justification: This allocation provides funding to address the needs identified at Watson Park.

EXPENDITURE SCHEDULE (000'S)											
Cost Elements	Prior Years	2006-07 Appn.	2006-07 Estimate	2007-08	2008-09	2009-10	2010-11	2011-12	5-Year Total	Beyond 5-Year	Project Total
Development		4,342	1,859	2,483					2,483		4,342
TOTAL		4,342	1,859	2,483					2,483		4,342
FUNDING SOURCE SCHEDULE (000'S)											
Civic Center Construction Fund		3,938	1,455	2,483					2,483		3,938
Civic Center Parking Fund		403	403								403
TOTAL		4,342	1,859	2,483					2,483		4,342
ANNUAL OPERATING BUDGET IMPACT (000'S)											
None											

Major Changes in Project Cost:

None

Notes:

On June 19, 2007, the City Council approved a technical adjustment which reallocated a reserve for neighborhood capital improvements from Civic Center funds to the General Fund and a portion of the Watson Park Site Clean-up and Restoration project from the General Fund to Civic Center funds. This adjustment allows for the allocation of remaining tax-exempt bond proceeds, to be consistent with IRS regulations that the funds be spent or appropriated toward eligible uses by the end of 2006-2007.

The Initial Start Date represents closure of the park following preliminary surface soil testing.

FY Initiated:	2006-2007	Redevelopment Area:	Yes
Initial Project Budget:	\$4,341,659	SNI Area:	Thirteenth Street
Appn. #:	6696	USGBC LEED:	N/A

Civic Center Capital Program

2008-2012 Adopted Capital Improvement Program

Detail of Capital Projects

3. Technology, Furniture, and Equipment

CSA: Strategic Support **Initial Start Date:** 1st Qtr. 2004
CSA Outcome: Safe and Functional Public Infrastructure, Facilities, and Equipment **Revised Start Date:**
 Effective Use of State-of-the-Art Technology **Initial Completion Date:** 3rd Qtr. 2005
Department: Public Works **Revised Completion Date:** 4th Qtr. 2007
Council District: City-wide
Location: 200 E. Santa Clara Street

Description: This project provides funding for the technology improvements, furniture, and equipment at City Hall.

Justification: This investment is necessary to provide a state-of-the-art facility that will meet the long-term needs of staff and the public they serve.

EXPENDITURE SCHEDULE (000'S)											
Cost Elements	Prior Years	2006-07 Appn.	2006-07 Estimate	2007-08	2008-09	2009-10	2010-11	2011-12	5-Year Total	Beyond 5-Year	Project Total
Equipment	27,396	8,307	1,173	12,329					12,329		40,898
TOTAL	27,396	8,307	1,173	12,329					12,329		40,898
FUNDING SOURCE SCHEDULE (000'S)											
Civic Center Improvement Fund	27,396	8,307	1,173	12,329					12,329		40,898
TOTAL	27,396	8,307	1,173	12,329					12,329		40,898
ANNUAL OPERATING BUDGET IMPACT (000'S)											

None

Major Changes in Project Cost:

October 4, 2004 - Reallocate \$65,000 as a transfer to the Redevelopment Agency.
 2007-2011 CIP - Decrease of \$8,315,000 (18%) to reflect updated cost estimates for the technology, furniture, and equipment.
 October 17, 2006 - Increase of \$1,463,000 to reflect City Council direction to reduce overall technology, furniture, and equipment costs by 15% to \$38,462,500.
 May 15, 2007 - Decrease of \$2.5 million to reallocate trustee-held commercial paper proceeds so that the City can meet the 18-month expenditure exception to the IRS requirement to rebate arbitrage interest earnings on the commercial paper notes.
 June 19, 2007 - Increase of \$2.5 million to restore the net project budget as a result of actions approved on May 15, 2007.

Notes:

A total of \$45.25 million was initially budgeted for technology, furniture, and equipment. A portion of this budget (\$65,000) is reflected as a Transfer to the Redevelopment Agency in 2004-2005 to fund the 4th Street Communications Conduit Project, which provides necessary fiber optics to City Hall. Actual contract awards in this category are currently tracking approximately \$6.8 million below the initial budget.
 Due to an inadvertent budgeting error, the project total reflected on this Detail Page is overstated by \$2.5 million. An adjustment will be made in the 2006-2007 Annual Report to correct this error.

FY Initiated: 2003-2004 **Redevelopment Area:** Yes
Initial Project Budget: \$45,250,000 **SNI Area:** University
Appn. #: 5152 **USGBC LEED:** N/A

Civic Center Capital Program

2008-2012 Adopted Capital Improvement Program

Detail of Capital Projects

4. Reserve for Civic Center

CSA:	Strategic Support	Initial Start Date:	N/A
CSA Outcome:	Sound Fiscal Management that Facilitates Meeting the Needs of the Community	Revised Start Date:	
Department:	Public Works	Initial Completion Date:	N/A
Council District:	N/A	Revised Completion Date:	
Location:	N/A		

Description: This reserve funds potential change order or litigation issues that may arise during the close-out of the New Civic Center project.

Justification: This reserve is necessary in order to fund potential outstanding costs.

EXPENDITURE SCHEDULE (000'S)											
Cost Elements	Prior Years	2006-07 Appn.	2006-07 Estimate	2007-08	2008-09	2009-10	2010-11	2011-12	5-Year Total	Beyond 5-Year	Project Total
Reserve				608					608		608
TOTAL				608					608		608
FUNDING SOURCE SCHEDULE (000'S)											
Civic Center Construction Fund				608					608		608
TOTAL				608					608		608
ANNUAL OPERATING BUDGET IMPACT (000'S)											
None											

Major Changes in Project Cost:

None

Notes:

FY Initiated:	2007-2008	Redevelopment Area:	N/A
Initial Project Budget:		SNI Area:	N/A
Appn. #:	8029	USGBC LEED:	N/A

Civic Center Capital Program

2008-2012 Adopted Capital Improvement Program

Detail of Capital Projects

5. Reserve for Civic Center Off-Site Parking Garage

CSA:	Strategic Support	Initial Start Date:	N/A
CSA Outcome:	Sound Fiscal Management that Facilitates Meeting the Needs of the Community	Revised Start Date:	
Department:	Finance	Initial Completion Date:	N/A
Council District:	N/A	Revised Completion Date:	
Location:	N/A		

Description: This reserve funds potential outstanding costs related to the Civic Center Off-Site Parking Garage. Funding in this reserve resulted from the over issuance of commercial paper proceeds to reimburse Civic Center Off-Site Parking Garage costs. In the event that this funding is not required for outstanding project costs, this funding is proposed to be transferred back to the City Hall Debt Service Fund in order to reduce the outstanding debt obligation related to the Civic Center project.

Justification: This reserve is necessary to fund potential outstanding project costs.

EXPENDITURE SCHEDULE (000'S)

Cost Elements	Prior Years	2006-07 Appn.	2006-07 Estimate	2007-08	2008-09	2009-10	2010-11	2011-12	5-Year Total	Beyond 5-Year	Project Total
Reserve				2,082					2,082		2,082
TOTAL				2,082					2,082		2,082

FUNDING SOURCE SCHEDULE (000'S)

Civic Center Parking Fund				2,082					2,082		2,082
TOTAL				2,082					2,082		2,082

ANNUAL OPERATING BUDGET IMPACT (000'S)

None

Major Changes in Project Cost:

None

Notes:

FY Initiated:	2007-2008	Redevelopment Area:	N/A
Initial Project Budget:		SNI Area:	N/A
Appn. #:	8061	USGBC LEED:	N/A

Civic Center Capital Program

2008-2012 Adopted Capital Improvement Program

Summary of Projects with Close-out Costs Only in 2007-2008

Project Name: Land Acquisition
5-Year CIP Budget: \$310,000
Total Budget: \$52,680,000
Council District: City-wide
USGBC LEED: N/A

Initial Start Date: 3rd Qtr. 2002
Revised Start Date:
Initial End Date: 2nd Qtr. 2004
Revised End Date: 3rd Qtr. 2007

Description: This allocation provides funds to reimburse the Redevelopment Agency for the purchase of land associated with the new City Hall project.

Project Name: New City Hall Parking Garage
5-Year CIP Budget: \$80,000
Total Budget: \$26,152,000
Council District: 3
USGBC LEED: N/A

Initial Start Date: 3rd Qtr. 2001
Revised Start Date:
Initial End Date: 2nd Qtr. 2005
Revised End Date: 3rd Qtr. 2007

Description: This project consists of two parking facilities constructed for use by employees and visitors at the new City Hall: City Hall on-site garage and City Hall off-site garage. This allocation covers the cost of the off-site garage only, consisting of eight levels: one below grade and seven above that provide approximately 1,128 spaces for City employees and is also available for public parking on evenings and weekends. The garage is located on the center of the block bounded by St. John Street, Fifth Street, Santa Clara Street, and Fourth Street. Beneficial use of the garage occurred in 3rd Qtr. 2006. The Revised End Date and funding in 2007-2008 represents the completion of final close-out items.
